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NSURB NSPI P-871
EXHIBIT# P-4

January 10, 2000

Via Fax Only

Ms. Nancy McNeil
Regulatory Affairs Office/Clerk
Nova Scotia Utility and Review Board
3rd Floor, Summit Place
1601 Lower Water Street
HALIFAX, NS B3J 3S3

Dear Ms. McNeil:

**Re: Nova Scotia Power Inc.
Application for Approval of Load Retention Rate - P-871**

As NSPI has reviewed its responses to interrogatories in preparation for the load retention rate hearing, it noted that some of them required minor modification. In addition, NSPI wishes to update Table A of Mr. Whalen's prefiled evidence as anticipated by the note on the table as it was originally submitted. The revised Table A together with revised interrogatories are attached. The reasons for the updates are outlined below:

a) Table A

We have made the following changes:

- Allegheny Power has been removed. As indicated by Mr. Whalen on page 9 of his evidence, NSPI's intention was to exclude rates that some utilities referred to as load retention rates but which are in reality designed more to include the customers generation in the economic dispatch than to retain load. Allegheny Power falls into this category and should be excluded.
- Information with respect to the regulatory process and contract approval has been added for Central Maine Power and Pennsylvania Electric (PECO).

b) UARB-IR-19

- The tariff submitted for AmerenCips was partly obliterated. A legible copy is attached.

www.coxhanson.ca

COPY

Ms. Nancy McNeil
January 10, 2000
Page 2

c) UARB-IR-30

- A note has been added to Table IR-30-A to clarify why Maine and Maryland are excluded.

d) UARB-IR-7

- Table IRVING-7B revenue figures have been updated.

e) EMPRA-IR-4

- Pages 2754 and 2755 of the transcript were inadvertently omitted in the original response. These pages are attached.

Yours very truly,

Peter W. Gurnham

PWG/cgf
Enclosures

c.c. S. Bruce Outhouse, QC
c.c. George Cooper, QC
c.c. Robert Grant, QC
c.c. John Young, QC
c.c. John Whalley
c.c. Don Regan
c.c. David Sawler
c.c. Bob Pelley
bc. Melvin E. Whalen
bc. Christopher Huskilton
bc. Richard J. Smith
bc. D. Kevin Burke

C
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Y

TABLE A
SAMPLE OF LOAD RETENTION RATES IN OTHER JURISDICTIONS
“REVISED”

Utility	Principle Reason for LR Rate	Form of Load Retention Rate	Approved By Regulator ?	Public Disclosure of Contract Terms ?	Comments
Alliant	Alternate Supply	Contract	Yes	No	
AmerenCips	Alternate Supply	Contract	Yes (until 11/99 only)	No	Customer signs affidavit of intent to bypass
Baltimore Gas & Electric Co.	Alternate Supply	Generic Rate/ Customer Contract	Yes	No	Experimental expires Dec/99
Central Maine Power	Alternate Supply	Contract	Yes	Yes	Most contracts are approved within 30 days
Commonwealth Edison	Alternate Supply	Generic Rate/ Customer Contract	Yes	No	Customer signs affidavit of intent to bypass
Consumers Energy	Alternate Supply	Contract	Yes	Yes	
El Paso Electric Company	Alternate Supply	Contract	Yes	No	In most cases, regulator is City Council
Entergy Services	Alternate Supply	Contract	Yes	No	
Hydro Quebec	Economic Hardship	Generic Rate/ Customer Contract	?	No	Rate probably in place before HQ was regulated
Northern Indiana Public Service	Alternate Supply	Generic Rate/ Customer Contract	Yes	No	
Ontario Hydro	Alternate Supply	Contract	No	No	May also be applied to attract new load.
Pennsylvania Power & Light	Alternate Supply	Generic Rate/ Customer Contract	Yes	No	

TABLE A
SAMPLE OF LOAD RETENTION RATES IN OTHER JURISDICTIONS
“REVISED”

Utility	Principle Reason for LR Rate	Form of Load Retention Rate	Approved By Regulator ?	Public Disclosure of Contract Terms ?	Comments
Pennsylvania Electric (PECO)	Alternate Supply	Contract	?	No	
Southern California Edison	Prevent customers from moving operations to another territory.	Generic Rate/ Customer Contract	Yes	No	Discounts specified in rate may be modified by contract
NS Power (Proposed)	Alternate Supply	Contract	Yes	No	

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY
ELECTRIC SERVICE SCHEDULE 9B
SECTION ONE
STANDARD RATES

ILL. C. C. No. 9B
Section One
Original Sheet No. 37.9.1

RIDER 16
ELECTRIC CONTRACT SERVICE
Applicable To Rates 6T, 9T and 9B

AVAILABILITY

Available for any Customer being served by the Company under Rate 6T, Rate 9T or Rate 9B when in the judgement of the Company: (a) it is economically feasible and practical for the customer to utilize an energy source other than the Company's electric service (Bypass) and/or (b) total or partial loss of customer load is imminent.

As a condition of service, Customer will provide to Company affidavits stating Customer's intent to Bypass Company's facilities absent service provided hereunder, and such other evidence as deemed necessary by Company to verify Customer's intent.

This rider will be available to approved applicants through January 1, 2001, or until its continued availability would result in the Company's capacity reserve margin falling below acceptable levels, whichever is first applicable.

CONTRACTS

The customer shall enter into a contract in writing with the Company specifying the nature of the service to be supplied, the prices to be paid, the term of the contract and such other terms and conditions of service as are mutually agreeable. The term of the contract shall not exceed ten years. Revenues from service to the Customer under such contract shall be greater than the applicable incremental customer, facility, energy and capacity costs to serve such Customer, ensuring a positive contribution to fixed costs. No more than twenty-five contracts shall be in effect under this rider at any one time.

All contracts entered into hereunder shall be submitted to the Illinois Commerce Commission for informational purposes. Not less than ten working days before submitting any contract to the Commission, the Company shall submit the contract, together with other supporting documentation as required by the Commission Staff in its analysis of Rider 16 contracts. All submissions to the Staff and the Commission of such contracts and other supporting documentation under this rider shall be treated as proprietary and confidential in nature.

ELIGIBLE LOAD

For a customer entering into Rider 16 Electric Contract Service, service hereunder shall be available only to existing load. A customer taking service under Rider 16 can make application for other applicable rates and riders of this Electric Service Schedule, which in combination with Rider 16 are not at variance with the incremental cost provisions contained herein.

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NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The *Public Utilities Act*, R.S.N.S., 1989, c.380 as amended

IN THE MATTER OF: An Application by Nova Scotia Power Incorporated for approval of a Load Retention Rate

RESPONSE TO INFORMATION REQUEST

TO: NSUARB

FROM: NSPI

“REVISED”

Question IR-30: Page 14 of the Report mentions about NSPI's direct sales to Quebec, Maine and Maryland.

- a) Please provide the amounts of power sales in 1998
- b) Please provide all the cost/benefit analysis of making sales to self generation at Load Retention rates and selling off system power in the wholesale market.

Response IR-30: a) The amounts of power sales in 1998 are shown in Table UARB-IR-30-A.

Table IR-30-A

	1998 Energy Sales (MWh)
New Brunswick	151,892
Quebec	8,477
Total	160,369

NOTE: Sales shown to Quebec were brokered through Maine and Maryland with delivery at the NB/Quebec border.

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TO: NSUARB

FROM: NSPI

“REVISED”

Response IR-30: b) NSPI interprets this question to mean “How does the benefit of selling power at load retention rates compare to the benefit of selling power in the export market?”

NSPI does not believe that the current export market can replace the loss of an existing large customer load. An existing customer purchases energy from NSPI during all hours, whereas energy can be sold in the export market only when NSPI's delivered cost to that market is lower than the marginal cost in that market. The opportunities for doing this are generally limited. As shown in response a), sales to the export market in 1998 were 160,369 Mwh. This is less than 2% of the energy produced by NSPI that year.

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RESPONSE TO INFORMATION REQUEST

TO: **IRVING OIL LIMITED**

FROM: **NSPI**

“REVISED”

Question 7: **Reference 1) Direct evidence of Christopher Huskison, page 3, lines 5-11:**

“To ensure that load retention rates are offered only in circumstances where they are justified, NSPI proposes that such rates be based on the fundamental principle that they be offered only in circumstances where it can be shown that:

- ...
- Retaining the customers’ load through a load retention rate is better for other NSPI customers than losing the customer in question;
- ...”

Reference 2) 1998 Nova Scotia Power Annual Report, page 14:

“We also began to export power in 1998 following the National Energy Board’s approval of our export license, allowing us to sell energy beyond Nova Scotia and New Brunswick and into the United States. Thanks to this license, and the new transmission tariff allowing us to wheel electricity through New Brunswick without selling it to them, we made direct sales in 1998 to Quebec, Main and Maryland.”

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TO: **IRVING OIL LIMITED**

FROM: **NSPI**

"REVISED"

Question 7: **Reference 3) 1998 Nova Scotia Power Annual Report, page 16:**

"Nova Scotia is building its electric utility business to become more competitive. In July, the National Energy Board approved the company's export license. This license and the open transmission system in New Brunswick now allow the company to sell energy beyond Nova Scotia and New Brunswick and into the United States. In 1999, Nova Scotia plans to increase exports of energy to regional markets during off peak periods."

- a) Has NSPI explored the opportunities to replace loss of existing customers' loads through export sales? If so, please provide NSPI's evaluation of this opportunity.**
- b) Please provide a summary of NSPI's export electricity sales during 1999 showing on a monthly basis the destination of the sales, the energy involved and the revenue received.**
- c) Please provide a copy of the most recent interim financial statements for Nova Scotia Power reflecting results in 1999.**
- d) Has NSPI identified circumstances in which it is to the benefit of other NSPI customers to lose the load of a customer or series of customers thereby enabling NSPI to shut down uneconomic generating facilities?**

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TO: **IRVING OIL LIMITED**

FROM: **NSPI**

"REVISED"

Question 7: e) Please provide a ranking of NSPI's generating facilities in order
for economic dispatch, providing the marginal costs for energy
production for each of these plants.

f) What is the position of NSPI with respect to the wheeling of
electricity produced by third parties on a wholesale and retail
basis on its transmission lines?

Response 7: a) NSPI does not believe that the current export market can replace the
loss of an existing large customer load. An existing customer
purchase energy from NSPI during all hours, whereas energy can be
sold in the export market only when NSPI's delivered cost to that
market is lower than the marginal cost in that market. The
opportunities for doing this are generally limited. As shown in
response to UARB Interrogatory 30, sales to the export market in
1998 were 160,369 Mwh. This is less than 2% of the energy
produced by NSPI that year.

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TO: IRVING OIL LIMITED

FROM: NSPI

“REVISED”

Response 7: b) Table Irving-7B provides the export sales destination, energy and revenue on a month basis for calendar year 1999.

Table Irving-7B

Month	Destination	Energy (Mwh)	Revenue \$
Jan	Canadian Market	3,861	\$92,544
Feb	Canadian Market	28,104	628,104
Mar	Canadian Market	43,889	1,037,148
Apr	Canadian Market	34,219	855,225
May	Canadian Market	24,514	593,748
Jun	Canadian Market	17,377	423,558
Jul	Canadian Market	22,275	537,595
Aug	Canadian Market	6,640	157,300
Sep	Canadian Market	1,650	41,725
Oct	Canadian Market	0	0
Nov	Canadian Market	1,370	39,340
Total for 1999		183,899	\$4,406,287

c) NSPI's third quarter financial statements are attached.

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NS Power Holdings Inc.
Consolidated Balance Sheet
As at September 30 (unaudited)
millions of dollars

	1999	1998
Assets		
Property, plant and equipment	\$2,283.2	\$2,266.1
Construction work in progress	49.9	30.5
	2,333.1	2,296.6
Deferred charges	330.6	363.1
Investment in Maritimes & Northeast Pipeline	50.3	-
Current assets	169.6	142.6
	\$2,883.6	\$2,802.3
Shareholders' Equity and Liabilities		
Common shares	\$675.3	\$671.5
Retained earnings (note 3)	255.2	212.6
	930.5	884.1
Minority interest	231.3	200.0
Long-term debt	1,286.0	1,083.6
Deferred credits	1.3	2.1
Current liabilities	434.5	632.5
	\$2,883.6	\$2,802.3

NS Power Holdings Inc.
Consolidated Statement of Changes in Cash Position
For the nine months ended September 30 (unaudited)
millions of dollars

	1999	1998
Operating activities:		
Net earnings adjusted for non-cash items	\$183.4	\$172.2
Change in operating working capital	(66.8)	(33.1)
Net cash provided by operating activities	116.6	139.1
Net cash provided by financing activities	32.4	15.1
Net cash used in investing activities	(91.3)	(72.2)
Dividends	(54.1)	(82.6)
Increase (decrease) in cash position	3.6	(0.6)
Cash position at beginning of period	0.1	0.7
Cash position at end of period	\$3.7	\$0.1

NS Power Holdings Inc.**Consolidated Statement of Earnings**

For the nine months ended September 30 (unaudited)

millions of dollars (except earnings per common share)

	1999	1998
Revenue		
Electric	\$584.0	\$550.1
Other	7.4	6.2
	591.4	556.3
Cost of operations		
Fuel for generation and power purchased	196.7	183.7
Operating, maintenance and general	111.4	107.2
Grants in lieu of taxes	6.6	4.1
Provincial capital tax	5.0	5.1
Depreciation	70.7	68.2
	390.4	368.3
Earnings from operations	201.0	188.0
Amortization of Point Aconi costs	(17.3)	(12.5)
Allowance for funds used during construction and equity income	8.0	2.7
Earnings before interest and income taxes	191.7	178.2
Interest	101.3	100.1
Earnings before income taxes	90.4	78.1
Large corporations tax	4.4	4.5
Income tax	5.4	2.5
Net earnings before minority interest	80.6	71.1
Minority interest	8.6	11.5
Net earnings applicable to common shares	\$72.0	\$59.6
Earnings per common share	\$0.83	\$0.69

Notes

1. Interim results are not necessarily indicative of results for the full year due primarily to seasonal factors. Sales and related production change significantly over the year as a result of marked differences in temperatures and daylight hours.
2. The comparative financial statements have been presented as if NS Power Holdings Inc. was the parent company as of January 1, 1998.
3. Included as a charge against retained earnings is \$1.1 million for costs associated with the reorganization to a holding company structure effective January 1, 1999 (see Note 16 to the 1998 Financial Statements).

Corporate Profile

NS Power Holdings Inc. (NSPH) is a diversified energy and services company. Its wholly-owned subsidiary, Nova Scotia Power Inc. (NSPI), has over 430,000 residential, commercial and industrial customers. NSPI's assets total \$2.8 billion and its operations include the generation, transmission and distribution of electric power throughout the province. NSPH also holds a 12.5% stake in the Maritimes & Northeast natural gas pipeline. NSPH common shares trade on the Toronto and Montreal stock exchanges under the symbol NSH.

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RESPONSE TO INFORMATION REQUEST

TO: IRVING OIL LIMITED

FROM: NSPI

“REVISED”

- Response 7:**
- d) No. NSPI's existing generating units were built to meet the expected needs of existing customers, and the mix of units was chosen to minimize the cost of meeting those needs. On a day to day operational basis, the most economic units run most and the least economic units run least. However, because of changing daily and seasonal load patterns, forced outages on some units, etc. all units are generally required during any given year. If because of a loss of customer load the least economic unit could be shut down, this would have minimal savings. Fuel costs would be slightly lower but fixed costs would remain unchanged. Hence the impact of the loss of a significant customer load cannot be offset by shutting down generating units.
 - e) This data is confidential
 - f) Wheeling of electricity from a generator located in Nova Scotia to markets outside Nova Scotia is permitted under Section 55A of the Public Utilities Act. Otherwise, wheeling in Nova Scotia is not permitted.

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1 prices which are wrong or inefficient in order to
2 benefit a few customers. That wouldn't be what I
3 would tend to do. With respect to the question of
4 where would I seek to recover the revenue shortfall
5 that would result from the third block; if, in fact,
6 it's true that the third block would tend to result
7 in retaining space heating customers that would
8 otherwise be lost, if that's true, then the revenue
9 shortfall that resulted from that is a price that all
10 customers ought to pay in order -- because they --
11 all customers would receive the benefit from that.
12 If the resulting rate still provided a contribution
13 to margin over and above marginal costs so that it
14 was attractive to all customers to essentially pay to
15 retain the space heating customers, then I don't see
16 how that's any different from an industrial retention
17 program or any other. I would allocate the shortfall
18 over all customers.

19 Q. On page 21 in your discussion on marginal capacity
20 cost in the value of service method, I believe, you
21 have a reference to outage costs and that some
22 utilities measure these costs by customer surveys.
23 Are you aware of the results of any specific surveys?
24 Has that ever been put into a public -- to public
25 record anywhere?

DR. CHAMBERLIN, CROSS-EXAM. BY MR. KEHOE

2755

1 A. Oh, sure. I think, sitting here today, I can recall
2 that Pacific Gas & Electric has done a significant
3 amount of customer outage cost surveys. Ontario
4 Hydro has done some here a couple of years ago.
5 EPRI, the Electric Power Research Institute, has
6 published several reports dealing with surveys of
7 utilities who have performed surveys of customer
8 outage costs. There have been -- I don't know --
9 probably a dozen or more that I can think of.

10 Q. I guess, somewhere in the evidence -- and don't ask
11 me to tell you where it was -- I seen those costs
12 reflected from Nova Scotia Power's perspective, I
13 believe, and there seemed to be very little
14 differences in outage costs, not significant in terms
15 of the numbers. And I guess my question is, would
16 you agree that domestic customers, for example, would
17 place significantly lower value on outage costs as
18 compared to a large industrial customer?

19 A. Well, let's see. I could agree with the following:
20 I think the evidence is that there is a substantial
21 variation even within classes as to the value of
22 avoided outages, probably is the way to say that.
23 And it depends -- for example, among residential
24 customers -- nobody at my house is home during the
25 day on a summer afternoon. If there is an outage, it